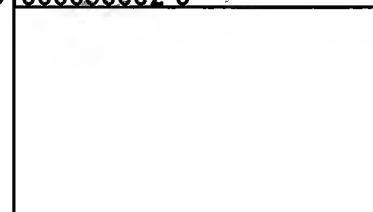




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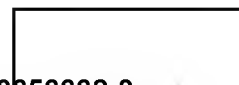
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National Intelligence Daily (Cable)

12 January 1979

State Dept. review completed

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National Intelligence Daily (Cable)

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SITUATION REPORT

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IRAN

Iranian Prime Minister Bakhtiar yesterday named as Defense Minister a general known for his loyalty to the Shah. Continuing unrest in the provinces is causing strains

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Lt. Gen. Jafar Shafaqat will replace General Jam, who had earlier refused the post in the new government. Shafaqat has served as Imperial Guard division commander and as Chief of the Imperial Military Household--positions given only to those who enjoy the Shah's absolute confidence. Shafaqat most recently was governor of Azerbaijan-e Sharqi Province, a post he was given after the serious riots in Tabriz last March.

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By selecting Shafaqat, Bakhtiar is probably trying to placate hardliners in the officer corps. This appointment will not help Bakhtiar with the opposition, which had its own candidate. Opposition leaders may point to Shafaqat's close ties with the Shah and accuse Bakhtiar of giving in to the Shah on the crucial issue of control over the armed forces.

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According to Tehran Radio, Bakhtiar in his speech to the parliament yesterday called for the abolition of the Iranian intelligence and security service, SAVAK, swift trials for those charged with corruption, and the release of political prisoners. He also said Iran will not ship oil to Israel or South Africa. None of these measures is likely to be of much help in Bakhtiar's efforts to gain the political initiative.

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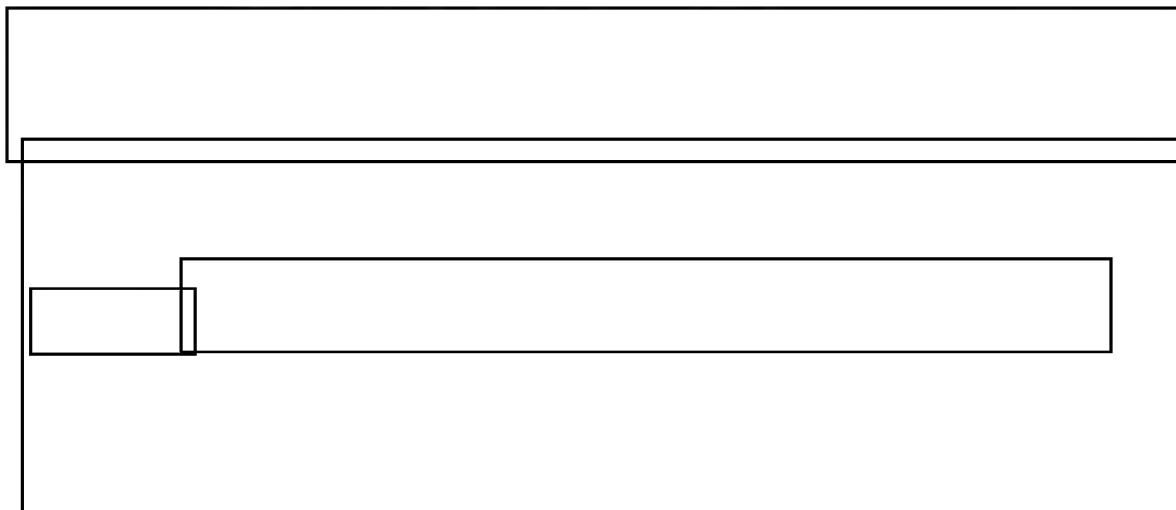
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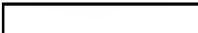


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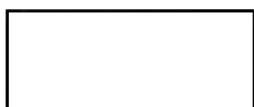
Despite the apparent efforts by moderate oppositionists to establish local control, however, there were major demonstrations yesterday in Shiraz, where martial law was lifted earlier this week. Some injuries occurred there in a clash between security forces and demonstrators who managed to set the local SAVAK headquarters on fire, according to Tehran Radio. 

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JAPAN: Allegations of Corruption

Japan's opposition parties hope to embarrass the ruling Liberal Democratic Party when the next parliamentary session opens later this month by focusing on recent allegations that Japanese officials may have accepted bribes from the Grumman and the McDonald Douglas Corporations in the early 1970s. Although government and ruling party officials are concerned about the political fallout from the allegations, Prime Minister Ohira still plans to fund the acquisition of the Grumman E-2C early warning aircraft in this year's defense budget. [REDACTED]

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The opposition clearly hopes to revive the public suspicion that surrounded the ruling party during the Lockheed scandal in 1976. The Liberal Democrats, however, have given the opposition few issues to exploit in the Diet and have done well in scattered local elections. [REDACTED]

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With nationwide local elections scheduled this spring, the opposition parties and the media are certain over the next few months to focus on the payoff allegations. Two Communist Party Dietmen are already in the US to "investigate," and other opposition leaders are certain to demand public disclosure of any official information that the Japanese Government receives on the affair. [REDACTED]

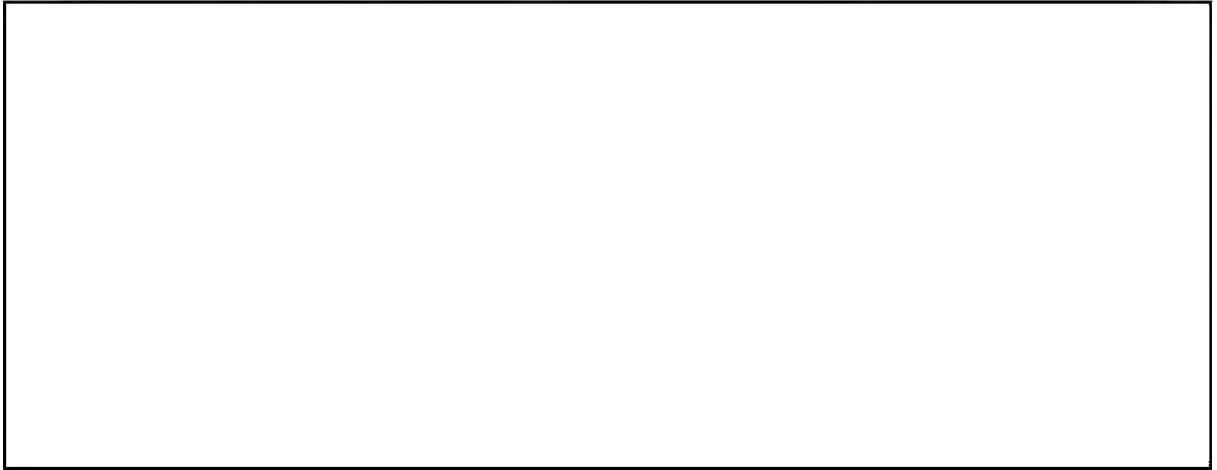
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SPAIN: Terrorism

Spain's Basque terrorist organization, the ETA, may have embarked on a course of action that would significantly increase tensions in the volatile Basque region. The ETA communique claiming responsibility for the killing of a member of the Civil Guard and his fiancée last weekend proclaimed that the deaths were a warning to all the enemies of the Basque region "and their families and friends." If the ETA deliberately killed the woman, this would mark the organization's first attack on the families or friends of the police. Further such attacks would probably lead the national police forces in the Basque region to retaliate [redacted] and could [redacted] lock police and the ETA into a spiral of violence. [redacted]

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USSR: Brezhnev Visit to Bulgaria

President Brezhnev left Moscow yesterday for a "short, friendly visit" to Sofia at the invitation of Bulgarian leader Zhivkov. A Soviet announcement gave no reason for the trip, noting only that Brezhnev also plans to "rest" in Bulgaria for several days, but the visit will be viewed with concern by Yugoslavia and Romania. Brezhnev has not been to Bulgaria since 1973 and--because there are no outstanding bilateral problems--may wish to "show the flag" in the wake of recent Chinese successes in the Balkans. Bulgaria has long been the USSR's most loyal ally, and Brezhnev may find it an appropriate site from which to reaffirm forcefully Soviet policy on a range of issues, notably Warsaw Pact solidarity and the Vietnamese takeover of Kampuchea.

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BANGLADESH: Election Boycott Ends

President Zia's efforts to break the opposition's planned boycott of the coming parliamentary election have succeeded. Astute maneuvering by Zia in the past few weeks, including the release of more than 400 political prisoners, persuaded most of the moderates to participate in the election. This effectively isolated the last major holdout--an important faction of the Awami League--and that faction reluctantly announced on Tuesday that it would take part in the election, now set for 18 February. Its participation reduces the likelihood of violence during the polling and will serve Zia's goal of enhancing the legitimacy of the new parliament, which will bring three years of martial law to an end.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

USSR-Kampuchea

The US Embassy in Moscow comments that yesterday's references in a Pravda article to Prince Sihanouk suggest respect for his favorable international image and concern for the damage he can do to the Vietnamese-supported regime in Phnom Penh. The article, which was a TASS dispatch from Hanoi on a commentary by the "Kampuchean News Agency," also hints at the possibility of the new regime's acceptance of Sihanouk. It notes his press conference remarks in Peking denouncing human rights violations by the Pol Pot regime and asserts that Sihanouk can still be regarded as a Kampuchean patriot if he ceases to be a pawn of the "reactionaries and their accomplices," for the Soviet reader a clear reference to the Chinese and to the Pol Pot regime.

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